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The Power of Dollar-Cost Averaging

Debra Gates: It's a pleasure to be here as always, to talk to you about this subject, the power of dollar cost averaging. But before I dig into it and introduce my guest, I just wanna say we are, we're excited of course, to present this seminar and it's designed specifically for informational purposes. And at captrust, while we do offer comprehensive investment advice, we do not provide legal, accounting or tax advice.

We emphasize that our role as fiduciaries is to act in your best interest, recognizing and accommodating your unique, you your unique needs and your goals. Your financial journey is as unique as you are, and we are here to support and guide you every step of the way. So I'd like to extend a very warm welcome to our guest today.

And in, instead of diving into their extensive experience, I encourage you to review their bios that's available in the handoff section of your console. I do wanna highlight, however, that together they bring over 15 years of industry experience. Kathryn McCall and Marcel, Marcel, I don't wanna butcher your last name.

Marcel Plomteaux: Plomteaux. Yeah, no worries.

Debra Gates: Plomteaux yes. And I should know that being from Louisiana in the South and seeing a name like that. I should know that. But thank you guys for coming and, really appreciate you taking the time to come and talk to us today. Both of you have your CFPs, your certified financial planners, with this experience.

And so it's gonna really be great to have you with us today and to really speak to our audience. And I do wanna add that I am here with you today. Normally I'm in the headquarters in North Carolina, but today I came up to Sacramento so that we could all be together and, share this wonderful information.

I, I wanna do a poll and lemme tell you Ashley, would you could just kick off this poll real, what we really wanna know, we wanna know how familiar are with, are you with the concept of dollar cost averaging? We wanna send that to the audience. And the reason that we ask this question, Marcel and Kathryn, we really do this polling question at the beginning so that we can get a pulse of the audience and see who we're speaking to and what their what their answers are and just really get a pulse of the audience. So Ashley has kicked off this poll. If you would just take out a moment and answer the poll so we can see. Are you very familiar with this strategy? Are you somewhat familiar? You heard of it. Yeah. But you don't really understand it or completely familiar.

So let's see what the Post says. What do you think is, what do you think it's gonna say? Is that something that you think people hear a lot about, Marcel?

Marcel Plomteaux: I think people hear the term thrown around. I think for those that haven't heard it, they may be surprised that they're actually, engaging with this strategy, even if they don't know it.

I'm interested to hear how this is gonna plan out.

Debra Gates: What are you thinking, Kathryn?

Kathryn McCall: Yeah, I think whether you know it or not, you're doing it one way or the other. It'll be interesting to dive in on. How much people know and how conscious we are of it.

Debra Gates: Okay. All right. So how long has that been, Ashley?

Has that about, been about 10 or 15 seconds?

Ashley Thomas: Yeah. Here we go. Let's take a look at the results.

Debra Gates: Okay.

Oh, wow. Now I am sur surprised. Now I'm surprised. Yeah.

Marcel Plomteaux: I'm surprised. 'cause you know what I

Debra Gates: think, I think as we start explaining this, I think people have heard of it. They just didn't know what the technical name was that was doing. What do you think, Kathryn? Completely unfamiliar. 41.9% heard of it.

I don't understand. Oh, this is gonna be a great, yeah, this is great. Yeah. This is gonna be a lot of fun. So glad that we're offering this because we wanna make sure that you are aware of what you're doing and we wanna talk about these different strategies. Yep. So without any further ado. Let's get into this.

And we're gonna explore this investment strategy. Yeah. And we're gonna actually look at this strategy from different perspectives. We wanna look at it from an employer sponsored plan. Some of you have individual brokerage accounts, or you have rollovers. We wanna talk about it from that aspect.

And so what our goal really is to equip you with both foundational knowledge and advanced insights, we wanna ensure that you lead with a comprehensive understanding that suits your investment journey. So whether you're just starting or looking to refine your investment strategy, we hope that this is gonna provide you.

Valuable information tailored to your needs, and we'll be breaking down the basics for those who are new to investing. We're going to take a deeper dive for those seeking advanced strategies. And so once again, time is something that you can't recapture. And what I really wanna do, and we'll hear us say this often, we really appreciate you joining us for this webinar and taking out the time during your day to listen to our presentation.

So let's just di let's dive in. So I think I will start with, let's start with you Marcel. So I have like several questions here. So could you just briefly explain what dollar cost averaging is and how it works?

Marcel Plomteaux: Yeah, I think it's a good point to start, right? I am surprised by that poll. Almost 70% of people either haven't heard of it or don't understand it.

As we kick this off, let's just start with what is dollar cost averaging? And essentially it's just a systematic way to invest your money. And if we break that down, how it works is you invest a fixed amount at regular intervals over a period of time. And so you may have heard Kathryn and I during the poll saying a lot of people might be doing this, but unaware of it.

If we take a look at your employer sponsored retirement plan, oftentimes people are dollar cost averaging within those accounts because you're contributing into that plan on a pro payroll basis, right? That may be weekly, that may be, every two weeks, every month. But regardless, you're putting money into the market at set frequencies.

That being said, you can employ dollar cost averaging even outside of your employer sponsored plan as well, which Kathryn will touch on a little bit more. So with that being said, Kathryn, I think it might be nice to take a look at an example of what this looks like. I think we've got an example perhaps on the next slide.

Kathryn McCall: Absolutely. Yeah. Let's go to the next slide and let me give you a high level example. This is very simple. If we invest in a particular fund, a hundred dollars every month at a, same time of the month, we're buying that $100 worth of fund. Because the market fluctuates every single day.

Our moment, right? We know that you're gonna buy that same $100 at a different price per share. So you can see in the first month. They purchased a hundred dollars worth of a stock price at $10 per share, so they ended up with 10 shares the second month. I won't take you through all of these, I promise, but I wanna highlight that the second month you got a stock price of $8 per share, which actually means you got it for a discount, or it also could be construed as the stock was down in that particular moment when you purchased it.

The pro of that is that you got 12 and a half shares, not 10 shares. If we look at this from a wealth accumulation perspective, you actually want to buy more shares of the same thing at a discount. Because as we know, just at a basic level, buy low, sell high. The more shares you have of something, the more growth you get When the portfolio, where the markets go up, which we know, one in four years, we're gonna have a down year in the market.

But that means three out of every four years is gonna be positive. So in this example, over a six month period, we end up with, $600 being invested for a total of 61 shares, meaning you're actually getting more shares than you would if you had just purchased it in that first month for $10 a share at $600 as a simple example.

The idea here around building wealth is really that we're looking to find other avenues to support ourselves after we stop working and building a portfolio through dollar cost averaging, whether you're doing it in an employer plan or doing it through, after tax wealth money is really just creating that discipline to help you accumulate more shares of an investment over time.

Debra Gates: So what I'm hearing from you, Kathryn, and I think that it's a point that we'll pro we'll probably hit later on as we go through, but when we look at, market volatility, because as you see here, sometimes the market is up, sometimes the market is down. And so really to me, when I hear what you're, if I'm hearing what you're saying correctly, is that.

We may not wanna shy away from those times when the market is down because it can really be beneficial. What do you say to that about the when is the, yeah, when is the most effective? I,

Kathryn McCall: if I'm gonna buy it anyway? I love buying something from Nordstrom on a discount, right? If I'm gonna buy it anyway, and I know I like that pair of shoes and I can get it for 20% off months.

Two, I'm buying my stock for 20% off. I look at that as an opportunity. I do think dollar cost averaging turns on its head. The notion that we are afraid of down markets. It actually looks at it from a different perspective and says, Hey, maybe this is a buying opportunity in the context of, my situation and what that portfolio looks like over time.

I look at this from a wealth perspective. Just to give you guys a little context, I manage funds. On the private wealth side. Marcel works as an institutional advisor. So I help manage individual families wealth at an insti at a, more client family level. And the strategy is similar but different because we're gonna use different different tools to get to the same goals.

Debra Gates: Absolutely. Oh, that's great. That's a great, very great point. Marcel, can you take us into a, in a deeper dive and just like Kathryn said, she's coming from the perspective of individual clients and you are more on the institutional side, working with our employer sponsored plans and working, with committees and.

Clients and all of that. Can you take this and dig a little bit deeper into this explanation of dollar cost averaging?

Marcel Plomteaux: Yeah, absolutely. One thing I love about my job is, of course I'm meeting with companies and their committees, but I also meet with employees and that ranges the gamut of age and, career stage and really everything in between, which I love, right?

'cause you get to work with everybody. I. And so when I'm meeting with individuals, two of the most common questions that I hear, the first of which is really around budgeting and setting up a sound savings plan, right? People know when they wanna retire. They have an idea of what their retirement might look like, but they need a plan to get there.

So really they're coming to us asking, here's my goals. How do I save for this eventuality? The second most common question we get. Really revolves around markets and a lot of people ask about market timing. When is the right time to get in? When is the right time to get out? They ask me to take a look at my crystal ball and see what it says, but rarely is it right, if it was, I'd be off doing something else, right? No one knows what the future holds. And so the thing I really like about dollar cost averaging, especially within employer sponsored retirement plans. Is it really addresses those two main questions that people have, right? From a savings perspective, a lot of people struggle to save.

It's just human nature, right? You get money, you spend it, and the benefit within your employer plan is that it all comes out on a per payroll basis. So for a lot of people, it's out of sight, out of mind, and you're consistently investing, and as we all know, it's easier to save small amounts here and there.

And then to save large chunks of money. And so from a behavioral perspective it's a lot easier for people to employ dollar cost averaging in the employer plan. But as it relates to the second point part market timing as Kathryn mentioned we know from a pure financial perspective that when markets are down, we view that as a discount and an opportunity to buy.

So our rational part of our brain says. Hey, the markets are down. We see red, let me buy more, right? And as financial advisors, we have that financial part of our brain that tells us that. But the reality is that we're all human. And oftentimes we're driven based off of behavior and emotion rather than logic, right?

Right or wrong. That's just the way it is. And I think dollar cost averaging to the point that Kathryn made earlier really takes a lot of the emotion out of the equation. You're gonna buy over time. Sometimes it's gonna be high, sometimes it's gonna be low. But for a lot of people whose, most pressing question is just the stress around markets going up and down.

It really makes this whole investment process a lot easier. And for me, boring investing oftentimes is investing employer plans. Your employer sponsored retirement plan for most people is your largest asset when it comes time to retire. And I think the reason it works so well for a lot of people again, is because it takes a lot of that emotion out of the equation.

So

Marcel Plomteaux: Kathryn, I know there's some other benefits here, especially on the individual side. I'll turn it over to you and let you talk about a few of those.

Kathryn McCall: Yeah, absolutely. So you just highlighted the employer sponsored plan. I think my favorite comparison of, setting up your employer plan and then making sure that you're just investing every pay period.

I'm gonna age myself a little bit here, but does everyone remember the George Foreman Grill? I think you said it and forget it. It's a little different on my side of the equation. We do not set it and forget it on the wealth side. We have to actively manage it. But the idea there around the consistent investment within the dollar cost averaging piece is the same, right?

We're gonna put money in on a monthly basis. Oh, you guys like the George Foreman Grill? Great. Okay. I'm happy. I don't even know if people would remember that at this point. It was, that was an infomercial going way back here. The idea here is that we have to make sure you have a plan and that discipline in place.

When we're on the wealth management side and we're managing your taxable portfolio, we're actually using those dollar cost average. Let's say you're doing a monthly investment into the portfolio. We're using it as part of your long-term investment strategy to help you figure out. Within the tea leaves, what's the best opportunity I might have to put this particular bucket of money to work.

So in my a hundred dollars example, we look at the portfolio and say, listen, small cap has really struggled, or International is really crushing it right now. We wanna maybe add or subtract depending on what that looks like within the portfolio. And we use that as a method of rebalancing as well.

We'll get into that a little bit further in the future. But the long-term strategy is the same. You just wanna be building, and I'm sure you all have heard this in the past, your retirement bucket of money, your after tax bucket of money. And I would be remiss if I didn't, remind everyone that an emergency fund is really also part of this long-term strategy.

I'm not a fan of investing in a taxable account until you definitely have. Between four to 12 months worth of emergency cash because as we know in life it happens and we never can control exactly what's gonna happen. So always having that emergency fund in addition is the third leg of the stool to have that diversity.

And then of course. If we can have our Roth money, I would like to have that as well as the fourth leg, but it's part of your overall strategy and regular investing keeps the set it and forget it. Motion in action.

Debra Gates: Wonderful.

Kathryn McCall: So we wanna go to the next one. I think we have some more ideas.

Debra Gates: Yeah. 'cause we want, 'cause we wanna get in. So when the people are doing that, what's the, that optimal frequency, I know you get that. Do we get that question? And so how often should I do this? And especially when you're talking, especially from your standpoint of it and looking at individuals.

Kathryn McCall: Yeah, so I will give an extreme example. I have a client who wanted to retire young. She was a very disciplined investor, and she wanted to retire about 57, which is on the young side for sure. And wI didn't make her do this, just to be clear. I didn't make she wanted to do this. Every Friday she deposits a thousand dollars into her taxable account.

She made that her goal so that every Monday I see a thousand dollars in her account that goes and gets invested. Now, we all can't do a thousand dollars, but over time, I will tell you that has been an incredibly prosperous growth strategy because for her. And like many of us, money is a tough subject.

It's not one we wanna think about. It's something that sometimes having a removal of that as an obligation for me to think about as a stressor is really important. So she decided a long time ago, I'm gonna create a mechanism in which my bank account is just gonna automatically transfer that money into her.

I can't remember if I think she Schwab. Account and it just moved over automatically. And she didn't have to think about it. And then every year when we would sit down and talk through the accounts, I'm always like, you're so awesome. And she's I forgot all about that. I don't know what you're talking about.

It just, it's out of sight, out of mind, but it's benefited her incredibly because over every thousand dollars increment. We're able to see the tea leaves, figure out what needs to be bought or sold and use that as a wonderful way to keep rebalancing the portfolio in line with her level of risk. So can you do it weekly?

Wonderful. If you can, most people, I would say monthly would be a wonderful way to do this. And. Part of this is setting up your own budget and making sure how much do I have left over after I've paid myself, lived on that money, gotten my emergency fund fully funded, what do I think I have left over that I can now go and systematically invest?

And I'm a huge fan of setting it up so that it's automatic and you don't think about it ever again. You're like, here it is. Off it goes. Back to my George Foreman, set it and forget it.

Debra Gates: It's really amazing that when we're talking about these financial concepts and we are talking about financial literacy, everything revolves back around budgeting and setting a budget.

And sometimes people really afraid of budgets and setting a budget and a budget is not deprivation. A budget is just trying to just guide your money where you want your money and directing. Where your money should go and knowing how much money you're spending monthly and what you're spending money on.

So budgets, this really your friend, and we talk a lot about, we talk a lot about budgeting, so it's funny that you mentioned that and it comes right back around the budgeting and I think with the same concept with this, the frequency of it, what would you add to that from the institutional side, Marcel?

Marcel Plomteaux: Yeah. I think the frequency oftentimes from the, your retirement plan side is really driven off your payroll. If you're, if you get paid every week, every two weeks, every month it's oftentimes driven around that. You may receive a bonus or something else, and that might be off payroll cycle, but for a lot of people as Kathryn mentioned, it's great because it comes right out.

It's systematized. You don't need to think about it. And it happens usually, every two weeks along those lines.

Debra Gates: Yeah. So I wanna reiterate, like I said at the very beginning, we wanna talk about this from the individual side. We wanna talk about this from the institutional side with your employee sponsored plan.

So in theory, you could have them both. Because with your employer sponsored plan, and if you're doing something outside, like Kathryn noted, you wanna make sure you have that emergency fund and before you start that taxable account. But you can still do some of those things too, because people might get an inheritance.

People might win the lottery or people might get win a prize or, I have several friends that have gone on like game shows and they win like a large sum of money. And how do you handle all of that? So you could actually be speaking from both sides of it. There are certain ways or what about a rollover?

Yeah. Absolutely.

Marcel Plomteaux: We're gonna touch on this here a little bit better about, some different strategies as opposed to, dollar cost average is one. Maybe I'll hold that thought just for a moment. 'cause I know we're gonna touch on another one. And I think, Deborah, that's a great point.

We'll talk about some different options, both outside your retirement plan as well as within your employer's plan.

Debra Gates: Yeah. So if you have a rollover, just stick around. We are gonna be here just a few more minutes, but we're really doing very good on time. But let's see here. Next. Oh, Ashley. You're back on again.

We're gonna do another polling question. So we've talked about dollar cost averaging, and so what I wanna know from the audience, what do you think is the biggest benefit of implementing dollar cost averaging? Is it avoiding making these emotional decisions? Is it taking advantage of the market fluctuations?

Is it compounding growth? Investing discipline? All of the above. Or if you think that it's something else that really resonates with you, throw that in the chat and we'll address that as we go through the presentation. We'll, I'll ask Ashley to tell me some of those things that might be in the chat.

Marcel Plomteaux: We should put grill as one of the options here. I'm sure that might have gotten quite a few selections.

Debra Gates: Yeah. Kathryn and her stories, we love her stories throughout the prep session. That was. The highlight with Kathryn’s stories. Yeah. Sorry. Gotta keep it

Kathryn McCall: Interesting you guys. Come on. This is exciting.

Debra Gates: Absolutely. That TV personality is coming out. So what do we think here? What do you think? What do you think is gonna be the top answer? Kathryn?

Kathryn McCall: I hope the top answer is e. Because that's the

Ashley Thomas: correct

Kathryn McCall: answer, but now I'm skewing our poll. I'm so sorry. Keep it together.

Debra Gates: All right, Ashley, how long has that been? Has that been about 20 seconds?

Ashley Thomas: Yes. So we're gonna go ahead and put this up, but I wanted to let you know, Kathryn, people are really upset about the George Foreman because they're saying that you're not giving credit to Ronald Martin who did the rotisserie chicken.

Is that

who I'm thinking of now?

Ashley Thomas: That's what's happening. That's the set it and forget it with the rotisserie chicken, not the George Foreman Grill.

I have to let you go. So that's a different thing.

Kathryn McCall: I just, yes. I think I watched too many infomercials in the nineties. You guys, I'm so sorry.

Network was on regularly in my

Kathryn McCall: home, so I feel like this, I, my apologies. The foreman and the and the, wait, what was the. The rotating chicken. That's what I meant. Honestly, that really was the

chicken.

Kathryn McCall: Yeah. Okay. Thank you for just providing justice where needed. Appreciate that.

Debra Gates: We'll give you a pass on that, Kathryn.

Actually, Kathryn knew all the time and she was just trying to test to see if anybody else, you know what?

Kathryn McCall: I'd like to think somebody spent a minute on Wikipedia just now looking that up to make sure that I was correct. And that's the research that we all

Ashley Thomas: deny. We did get an entry from Wikipedia, giving dates and times on everything just to listen.

Kathryn McCall: We have a smart presenting, like this is a smart group here,

Debra Gates: listen. I absolutely love the at work webinar audience. We have repeats that come every quarter and so listen, I told you, keeping me

Kathryn McCall: honest,

Debra Gates: I

Kathryn McCall: appreciate it. You guys.

Debra Gates: Keep me honest with the at work audience. All right, so let's keep this going. So we've talked about dollar cost averaging and are there any, alternative strategies and how does dollar cost averaging work with alternative strategies? Let's dig into that a little bit. I think you're gonna start with that one, Kathryn, aren't you? Yeah.

Kathryn McCall: Yeah, so I think the most clean comparison, if we had to compare dollar cost averaging to something would be lump sum investing.

What is lump sum investing? It just means that instead of adding our money in over time, we're basically choosing one day in, all of the market to invest all of our capital at the same time. And hopefully take advantage of the timing of that market and see nothing but growth. My best comparison that I could come up with for this was, if you were a gardener or a farmer and you decided you wanted to invest or plant your entire crop all in one day, you'd basically be, sliding all your chips across the table and saying, okay, this is the day I'm gonna hope for the best. I'm gonna hope that the weather conditions are optimal. And I'm riding with this one starting point as my initial investment. The comparison to that would, for dollar cost averaging would be, planting a garden over time and maybe doing.

Some flowers here, some carrots there. My radishes layering it over many weeks or months to build your garden more custom over time. The pro and con associated with that is that you get to adjust when your dollar cost averaging based off of the conditions of the weather and the conditions of your soil and all of that good stuff.

With lump sum, you're just hoping and praying for that correct day as your entry point. When would we do this, just out of curiosity? So oftentimes, lump sum investing will occur. To Deborah's point when you roll over funds from somewhere else and you're just reinitiating, a portfolio inheritance is another way that might come in where, let's say you have a big lump of cash, you sold a building or a home, and now you're investing that money over time.

By the way, I'm still a fan of dollar cost averaging when you do it in from cash, but. Lump sum is an example of where that would be. The difficult part about a lump sum is that you have to in order to be right long term, you actually also have to be right short term. 'cause it makes it that much harder if you immediately choose a time where the market drops.

Or maybe you have. A major windstorm. I have a lot of clients in ag, so I have a lot of almonds and rice clients. And so I hear about the weather a lot. That, that gives me the perspective of worrying about weather. And it's the same thing with the market. The market conditions, will greatly impact your entry point.

So that's part of a, it's a consideration for lump sum investing.

Debra Gates: Okay. So how would you compare the two? So if we look here, looking at comparing, anything that you wanna highlight in particular about this dollar cost averaging and lump sum investing. Now that we know what the two are, we've talked about what dollar cost averaging is.

Now you've given us an explanation of lump sum investing. So we put them side by side. Is there anything that you would really wanna highlight here? And I'm asking both of you that, you guys

Marcel Plomteaux: take them both. Maybe I'll jump in. I know there's a few different categories here that we listed out and comparing and contrasting the two.

I know in the poll all of the above was the most popular answer for what's the biggest benefit, but I know for myself and I'm in this industry, we're doing this day in and day out. But for me, as I mentioned earlier, it's really the psychological comfort that comes with not having to worry about timing the market.

No one has a crystal ball. No one knows what's gonna happen. Not even people that do this every single day, right? The markets act irrationally. For example, if we take a look back to 2020, COVID hit the world shut down. I know when we were talking to a lot of people, they thought, oh, the world shut down.

That's really gonna affect markets. And it did. But then there are events that we can't factor or take into consideration, and then the markets actually recovered and had, some great years and it can weigh on a lot of people. That psychological aspect of investing and worrying about if you put money in at the right or wrong time it's funny 'cause there's an asymmetry in emotional investing, right?

Losing a hundred dollars from an emotional aspect is a lot more difficult. It weighs on us a lot more. Then, the upside of earning a hundred dollars. Again, it just goes back to human nature. We don't wanna see our values go down, we don't wanna see your account go down. And so being able to remove that emotional component, I know for me too, it is a huge part of it, a huge benefit.

And Deborah, sorry for pushing off your question earlier about about, is there an opportunity for rollovers and things like that? I talked about from an employer sponsored retirement plan here, most people are gonna be dollar cost average, right? It's really just the default because you're putting money in at a consistent basis based off your payroll frequency.

That being said, there is an opportunity to lump some invest. And I think a lot of people, again, do lump sum invest without even knowing it, and it is related to those rollovers. As you move employers and go through your career, oftentimes you're gonna move your retirement plan from your previous employer to your new employer, and oftentimes that account is large, right?

That grows as you go through your career. So you could be moving over a very large sum of money and depositing it into your new plan. Oftentimes the default when you do initiate a rollover like that with your retirement plan is to lump sum right. You'll request the distribution from your previous employer, they're gonna cut a check or wire it to your new employer's provider, and then it gets deposited any into your new account, right?

So by nature, it is lump sum. You do have the opportunity. It is a little bit more difficult. It. It could be something that you could call the advice desk and maybe ask some additional questions about or get assistance with, but there could be the potential to dollar cost average, those retirement plan rollovers, right?

You roll it over to your new plan, but dictate that you'd like it to go into a cash fund, and then at your preset frequency, whether that's weekly or biweekly, whatever you decide is most appropriate, you could slowly move out of. A cash like option into, the rest of your investments and then by nature your quasi dollar cost averaging that, that rollover all.

So just something I wanted to point out because it isn't just all our cost averaging all the time in regards to your employer's plan. There are a few times where you are gonna be lump suming unless think, Hey, let me think about this and not just roll over the entire chunk.

Kathryn McCall: Yeah, absolutely Marcel. The other aspect of this that I would like to just highlight we do this both on the way in, in terms of investment, but also on the way out, right? When you're retired and you're beginning to take distributions we don't typically recommend that you turn 67, you file social security, you retire, and you pull all the money out.

From your IRA in one year. And that is a lump sum way of divesting if you think about it, because you're now picking that one day and saying, okay, goodbye. Out it out, it all comes. We do the exact same thing on the way out as well. Over time, you take little chunks of money in the form of, retirement income or required minimum distributions that come out of the portfolio and it.

One of the biggest strategies that I feel like we as wealth advisors get to provide value on is how to time those distributions on the way out to optimize for growth along the way. And to take advantage of market dips. I had a few clients call me in March of 2020 and say, Hey, I've been sitting on this cash.

I'm okay with whatever happens in the next six to 12 months. I do not care what happens in the next six to 12 months. I know that the market is down right now. That's an example of, Hey, I've been sitting on cash and I'm gonna take advantage of this downturn. And, lo and behold, not even, I could have predicted that three months later they were gonna be well above the water line.

And then some in terms of, where they started to where they ended, just due to the fact that the markets recovered really quickly during that initial covid drop, but. Being able to have a little bit of courage. I would say it, it has to be looked at as courage is a way to take advantage of that lump sum investing.

I don't recommend doing that with big chunks of your money unless you are really comfortable with taking that risk. And part of that is in the context of your overall situation and your overall financial. Your total financial plan. But it can certainly benefit you if you can decide to be a little bit contrarian in that.

Debra Gates: Okay? So do you want to, let's look at another example. Kathryn, I'll go to the next slide.

Kathryn McCall: Yeah, so this is just ex, basically comparing the original example we gave. Of that a hundred dollars, we're using a much bigger value right now. I think a good example of where somebody would invest $300,000 might be a rollover from an employer plan.

Let's say that they retire and now they've got this rollover and they're trying to decide how to invest it. The comparison we're making is in that first lump sum. We're just going ahead, putting all the plants in the ground all together, buying at $10 per share, $300,000 worth of investment because they got a clean number in that it's 30,000 shares, right?

You wanna have the most number of shares that you can so that as time goes on, those shares grow, and you get to have the maximum benefit from that. With dollar cost averaging in this scenario you got that first round in the first month of $10 per share. The next round the market was down considerably.

And so you were able to capture more shares in that first or in that second round because you bought 14,000 shares at $7 a share. And in the second, or excuse me, the third round of purchases you actually got a little bit less. But the net outcome is that you had 33,000 shares versus 30,000. So 3000 more shares than you would have if you had just slid everything across the table.

In a way, this is trying to help you to reduce the having to be right that one time. Really, it's giving you three opportunities to be right rather than one. I'm a huge fan of a slower dollar cost average, five, six months worth of slowly dripping that money in because it gives us more opportunities to be right.

When you slide everything across the table the first time, you really have that one chance and that's where you're more likely to have market timing issues. I.

Marcel Plomteaux: Yeah I will caveat, this example here, just for the sake this particular example shows that dollar cost averaging at the end of this time period actually proved more beneficial.

Devil's advocate, it could be this exact opposite, right? The market could have gone up, and it was great that you put all your money in on day one. So there is, there could potentially be upside to both, right? And it's always easy to look back as this chart does and say, oh, based on the past and what happened, this was better or that was better.

But as we all know the reality is we don't know what the future holds. So we don't know which strategy will be most beneficial. And again, that comes back to what's your risk tolerance? What are you looking for, right? If you're someone that you know, you don't need the money right away you're okay with just sliding it across.

Across the table and putting it all in by all needs. There's no right or wrong answer that's okay with you. Go for it. I'd say for a lot of people the stress of trying to time the market weighs on them. And for those reasons, that's why we're doing this whole presentation around dollar cost average, right?

Even recently, we've had some market volatility. It helps to level those out as Kathryn mentioned. So just wanted to point out that flip side where this could have gone the other way. But again, we never know what will happen.

Yeah,

Kathryn McCall: I go, I was gonna say along those lines having an asset allocation that you feel really comfortable with typically, let's just say using a generic portfolio, you're gonna be moderately aggressive, maybe only about 60% equity, 40% fixed income.

Making sure that investment allocation is in line with your overall. Needs in terms of liquidity makes this a lot less scary, frankly, because we're not taking all of your money and sliding it into a hedge fund and it's now in a black box and you can't see it anymore. So having that allocation that's appropriate for you and for what is going on in your life is part of what having, a trusted advisor goes with.

Debra Gates: Yeah. And the great thing about being on this call and coming to this webinar is that you have that resource and you can call the at work desk. I'll put the number up in just a couple of slides. You can go online to

CAPTRUSTAtWork.com, schedule an appointment, and speak to one of our financial counselors.

And really we could, and at that point. You can really get a a session where you're really looking at your personal information. Then you can see how, what your needs are, what your goals are and no two conversations are the same. We wanna talk to you in depth about your situation and see what really works best for you.

And then if you have other outside assets and if you want other further guidance, then of course you can always reach out to us for that as well. That is an option if you wanna do that. Let's talk a little bit about some of the strategies to optimize performance and wow, we're doing so good.

And then we're gonna, then we're gonna take, we're gonna take some questions. But let's talk a little bit about this. And some of this is reiterate. We've talked about a lot of this but just to reiterate. Of that Kathryn, Marcel, I think Marcel's taking this one.

Marcel Plomteaux: Yeah.

Yeah. And before I do I'll reiterate what you just said, Deborah, 'cause I think it's a huge benefit through CAPTRUST is reach out and talk to us. That this is such a general topic that it's really difficult to apply it to based on you and what you have going on. And Kathryn mentioned this earlier, and we hear this all the time, finances is not the most.

A easy conversation to have. We understand that. I think a lot of people feel like they're behind or they haven't made the right choices and they're afraid to talk to someone about it and perhaps see that they may be behind. But the hardest thing to do, and I have these conversations, unfortunately, as someone comes to me a year before they retire and say, Hey, can we run a plan and walk through and we can.

Certainly do that. I'm happy to do it, but it's just, there's not a lot of time if it's, you're right on the doorstep of retirement, so the sooner you reach out and talk to someone, the better. Deborah, sorry going off topic, but just wanted no,

no.

Marcel Plomteaux: Reiterate that. 'cause I think it's really important.

So a few different strategies we have here, and I, we've talked about the second $1 cost averaging, so I won't. Touch on that one again. But the other two are also along the same lines of trying to reduce risk and stress related to investment. Both of these are able to be done, whether you're inside your employer sponsored plan or whether you've got outside brokerage accounts or things like that.

The first of which is asset allocation in a nutshell. Diversification. Diversification. Diversification, right? Don't have all your eggs in one basket. This is a phenomenal question to reach out to CAPTRUST and ask, Hey, based on my situation, can you help me walk through what might be appropriate?

Essentially, you wanna spread your money across all different asset classes, right? You want some stock, you want some bonds, some cash. You want some. Here in the United States, you want some out in the international markets. You want to make sure to diversify your account if you're within your employer sponsored plan and oftentimes even outside, there are good investment options that help you do this, right?

Age-based options or model portfolios that really help take on the diversification, because we understand a lot of people, they don't wanna sit there and build their own portfolio, right? They want to go off and do other things that they're excited about. So the chances are is you likely have if you wanna be hands-on and build your own portfolio, fantastic.

If you want a more hands-off option where someone helps you or there's an investment that helps you do that, there's likely something for you on that front as well. If we look on the right side, it's extremely important to periodically rebalance your account and what this means. If I just give an example, let's say you, you met with us, or you're just putting together your own portfolio.

And after walking through your situation, you decide that, hey, based on where I am in life and what I'm looking for, I'd 50% of my ba balance in stock. And I would like the other 50 in bonds, maybe a little bit of cash. And that's what's appropriate for you from a risk return profile. Over the next year, what might happen is that the stock outperforms the bond and now your 50 50 portfolio.

Becomes a 60 40 portfolio, and that's more risk than what you were looking to take on to begin with. And so oftentimes, again, whether in your employer sponsored plan or outside of that, there are systematic ways to set up a rebalancing function. And essentially what that does is it at a preset interval that might be quarterly or semi-annually, it will sell the Overperforming asset class and purchase the underperforming one.

To bring you back in line with that asset allocation that you really wanted to begin with. This is really important. I would highly recommend setting this up if you haven't already, just as markets change. The last thing you want is a few years go by and you think you might be conservative or you think you might be aggressive, and in reality, your portfolio is completely different.

So make sure to set that up if you haven't already.

Debra Gates: Wonderful advice. And a lot of record keepers will allow you to do that through your plan. You can set that up automatically. Here. Again, don't hesitate to reach out to us at CAPTRUST. Now, before I go to talk about the takeaways and we conclude this, I do wanna see if there are any questions, Ashley, what kind of questions do we have?

And those questions, it could be about dollar cost, averaging the alternative strategies, what, whatever the questions. Are that are coming in and Marcel and Kathryn will address those.

Ashley Thomas: Yes. Thank you so much. So a quick note here, because a lot of you have been asking, is this presentation going to be available?

Am I going to get a copy of the deck while we do not share a copy of the actual presentation? Self. You will in the coming days receive an email to access the recording for this event. It has been recorded. You will be able to come back and get this information. Okay, so we've had a bunch of questions coming in.

A lot of people started connecting those dots and realized that they're doing this within their employer sponsored retirement plans. But one question here, how do I know when I should dollar cost average or do lump sum investing?

Marcel Plomteaux: I, maybe I'll start, and Kathryn, I know you're gonna have some comments, but I don't think there's a right or wrong answer. Different scenarios will allow you to do one or the other, right? Let's just take the rollover example, right? You could lump some that, or you could dollar cost at over time.

There, there's no right or wrong answer. I think you need to ask yourself, what are you looking for and what are you comfortable with? If you're okay pushing the chips across the table and you think that'll be beneficial, then lump sum.

Vice versa. If you say, I am worried and I don't know what the markets are gonna do and I'm a little stressed about trying to time the market appropriately, which caveat no one can time the market whether in or out.

So that's difficult. You can't do that. But I think if that's your situation, and probably most people fall into that category, we're trying to. Tying the market or understand when they should invest is difficult. Then I would say in that situation, dollar cost average would be more appropriate because you take some of that emotion and stress out of the equation.

Kathryn McCall: Yeah. The other portion of this that I think is important to highlight is dollar cost average means you're putting the same fixed amount of money in every month or at whatever, whatever regimented time horizon you're looking at. But it doesn't mean you have to buy the same thing every time you invest, right?

If you're doing a, dollar cost average of your 401k into the portfolio over a period of six months, doesn't mean you always have to buy, in line with the amount that is your total allocation. And that's something that you can monkey with in order to. Time a little bit like dip your toe into the lump sum.

Let's say, you see the market is really down mid-April for example, and you say, you know what? I really wanna be further into that growth sector. I'm gonna slide everything that I was gonna put in growth while it's down there, and then be more conservative with some of my other. Additional investments.

I think, the month of April was a perfect example of how volatile markets can be. And the fact that we really cannot predict what's coming. We just have to use the information we have and make educated decisions. I'm a huge fan of taking your time so that you get more opportunities to make good decisions.

Debra Gates: Absolutely. And I would just add, irrespective of whether you have a 401k, a 4 0 3 B, a 4 57, it's not timing, trying to time the market, it's your time in the market. That's right. That's really crucial that you really wanna understand. Don't get so caught up with trying to get in at the right time, trying to get out at the right time.

Kind of like double Dutch but you just want to make sure you're in there.

Marcel Plomteaux: Yeah, Deborah and I'll, I think Kathryn said a really good point, so I just wanna pull it out for a moment and highlight it. Dollar cost averaging helps balance out some of the movement from a contribution perspective, from a saving perspective, but then the diversification component helps spread it out in regards to which assets to buy, right?

So if you dollar cost to average and you are purchasing a variety of different investments in your diversified. You're really, you're like double dipping, right? You're really helped smoothing out all of that volatility, which is great.

Debra Gates: All right, Ashley, I think we've got time for a couple of more. Wow. It's amazing how fast the time goes. I told you that the time. Thank you guys. Oh my goodness. Great information. Go ahead, Ashley. Yes. So this one is

Ashley Thomas: A twofold for us. People are really wondering how long do they need to keep these funds invested to really see that they're getting that return on their investments?

And they're also wondering, how do I know that dollar cost averaging or lump sum investing? How do I know that these investments have done well? Are there things that they could be evaluating to determine that?

Kathryn McCall: Yeah. So one way to look at this is first of all, your time horizon. How long are you gonna be alive and how long is it gonna take you to spend this money?

For whatever reason that you might need it. I look at time Horizon, as based off of the context of your retirement plan and which bucket of money we're gonna need first, right? We know that in a bind we're gonna use our emergency funds before anything else. After that, we're gonna use our taxable money, which means it's gonna need to be a little bit more liquid, and my horizon for investment might be a little shorter than my retirement money.

Which may have a longer time horizon and may allow us to have a little bit more risk inside of that portfolio, meaning we're looking further into the future and maybe more more long-term with our investment horizon for that bucket of money. In terms of evaluating how you are doing, what you wanna remember is.

How aggressive is your portfolio relative to an all stock portfolio? So if you have, just the s and p 500 for example, or just the NASDAQ in your portfolio, that's gonna be a hundred percent in terms of, level of risk. If you're only about half in the market and half in some, bonds, cash, then you should be evaluating your own performance based off of.

A half stock, half bond allocation. Just really easy term to that is, let's say the s and p 500 was up, 20% that year and your portfolio was up 10, then you were right in line with how the market did. If you were. Comparing it though on a more diversified basis. Let's say you had international in there, maybe some alternatives in that equation.

Then you can evaluate it based off of, the benchmarks of each of those allocations as well, just to evaluate what how's international doing compared to my own portfolio.

Marcel Plomteaux: I think that's great. You answered it perfectly.

Debra Gates: All right, Ashley, I think we can get, I think we can get one more in like really

Ashley Thomas: quickly. Okay. What are our thoughts on lump sum investing in down markets?

Marcel Plomteaux: Again, show me the crystal ball where the market will continue to be down, pheno or turn around and go up, great.

And lump some invest. The problem is, markets flip very quickly. I think we've seen that in practice here recently, right? With some of the things going on there could be headline news from one day to the next and the markets flip flop back and forth. I don't have the statistics off the top of my head, but there's a lot of statistics around missing a few pivotal days in the market.

And how much that impact return. Essentially the markets change on a dime, and if you are not invested during that time, you miss out on a lot of those returns. So I think in theory down markets, you would want to dollar cost average if it keeps going down and you'd want to lump some, if it's gonna turn around and go back up.

The struggle is we don't know what's going to happen. So again, if you're someone who has a strong idea and you're willing to vet on that idea, lump sum might work. If you're someone that does, i'm unsure of where things are gonna go. And I'd say that's a lot of people, that dollar cost averaging would help you.

Kathryn McCall: Marcel used the perfect word bet. Bet lump sum investing is a bet in whatever the market conditions are as it of this moment, at some point improving. So I would just make sure that when you're lump sum investing, you're doing it in the context of, is this money short term? Money that I'm willing to lose or suffer losses in the short term from with the expectation that, if I go to bed and wake up three years later, it's up.

That's, I think, a good gut check of, if I ignore this money for three years, am I gonna be happy? Probably. But if I am emotionally not gonna sleep at night for the next three years because I know I lost some money initially, then that's another good gut check. I. Yeah.

Debra Gates: All right. Okay. Thank you guys.

Oh my gosh, Kathryn, Marcel, thank you so much. I really appreciate your time. This is great. Of course we could go on, but we are at time. We have to stop and give people back the rest of their day. But I did wanna put up how you can call us. Schedule an appointment at CAPTRUSTAtWork.com. Call us directly, (800) 967-9948.

Here are the hours of operation for online. We can schedule appointments until 8:00 PM Monday through Thursday on Friday until 6:00 PM That's Eastern time. Calling us directly Monday through Thursday, eight 30 until five 30 on Fridays, eight 30 until four o'clock. Again, thank you so much. Do you have any closing remarks?

Ashley, I really appreciate your everyone's time. Remember Ashley, I think Ashley said, you'll get an email about the recording that you'll be able to watch it on demand. And again, Marcel and Kathryn, I can't thank you enough for your help and thank you for joining us and stay safe.

Have a great rest of your day.